



179556  
Patricia Banks Morrison  
Senior Counsel

tmorrison@scana.com

May 15, 2006

Mr. Charles L. A. Terreni  
Chief Clerk and Administrator  
Public Service Commission of SC  
100 Executive Center, Suite 100  
Columbia, South Carolina 29210

Mr. C. Dukes Scott  
Executive Director  
Office of Regulatory Staff  
1441 Main Street, Suite 300  
Columbia, SC 29201

**Re:** SCE&G's May 2006 Adjustment to its Gas Cost Factor  
Order No. 2005-653 and Order No. 2006-99

*2005-5-G*

Dear Mr. Terreni and Mr. Scott:

By Order No. 2005-653, dated November 8, 2005, and Order No. 2006-99, dated February 14, 2006, the Public Service Commission of South Carolina (the "Commission") authorized South Carolina Electric & Gas Company ("SCE&G" or the "Company") to adjust its cost of gas factor on a monthly basis according to the procedure and methodology outlined in Paragraph 6 of the Settlement Agreement which was incorporated into Order No. 2005-653. With certain limitations, SCE&G is authorized to make monthly adjustments in the cost of gas factor, so long as there is a material variance between the forecast on which the factors was set and the updated forecast of over- or under-collection for the current month. By letter dated February 6, 2006, SCE&G requested the Commission amend Order No. 2005-653 to allow it to implement cost-of-gas factors below the Firm Commodity Benchmark of \$1.14135 per therm while an under-collection remains. This request reflected the Company's desire to recognize recent reductions in the prices charged for natural gas supplies in the natural gas markets. The Commission approved the Company's request in Order No. 2006-99.

In accordance with the above-referenced orders, SCE&G hereby informs the Commission that it is prepared to pass through a commodity cost-of-gas factor below the Firm Commodity Benchmark of \$1.14135 and consistent with the cost-of-gas factor approved by the Commission in Order No. 2006-99. This cost of gas factor, provided below, will be implemented for the eighth billing cycle of May 2006. Attached to this letter is a revised forecast of the under-collection of gas costs for the period ending October 31, 2006.

Customer Class	Cost of Gas Factor
Residential	\$1.22695
Small General Service/ Medium General Service	\$1.15184
Large General Service	\$1.12789

Letter to Charles Terreni  
May 15, 2006

As required by the Settlement Agreement, the cost of gas factor set forth here will remain in effect for bills through the seventh billing cycle of June unless changed by an adjustment at that time.

Please contact me if you have any questions.

With kind regards,

A handwritten signature in black ink, appearing to read 'PBM', with a stylized flourish at the end.

Patricia Banks Morrison

PBM/kms  
Attachment

**ATTACHMENT to letter dated May 15, 2006**

	COMMODITY COST		BILLING		FIRM SALES THERMS (COL. 4)	TOTAL					CUMULATIVE (OVER)UNDER COLLECTION (COL. 9)
	PER THERM (COL. 1)	PER THERM (COL. 2)	DIFFERENCE (COL. 3) (1-2)	COMMODITY (OVER)UNDER COLLECTION (COL. 5) (3+4)		DEMAND (OVER)UNDER COLLECTION (COL. 6)	PRIOR MONTH ADJUSTMENTS (COL. 7)	MONTHLY (OVER)UNDER COLLECTION (COL. 8) (5+6+7)			
BEGINNING BALANCE ---											
NOV 05	Actual	\$1.75007	\$1.14135	\$0.608728	15,595,902	\$9,493,663	\$795,639	\$0	\$10,289,302	\$16,997,486	
DEC 05	Actual	\$1.51908	\$1.14135	\$0.377735	7,933,070	\$2,996,596					
DEC 05	Actual	\$1.51908	\$1.20565	\$0.313435	22,699,531	\$7,114,821	(\$725,333)	\$183,986	\$9,570,079	\$36,856,877	
					30,632,601	\$10,111,417					
JAN 06	Actual	\$1.04427	\$1.20565	(\$0.161378)	13,740,442	(\$2,217,400)					
JAN 06	Actual	\$1.04427	\$1.14135	(\$0.097076)	20,128,127	(\$1,955,990)	(\$1,948,339)	\$32,347	(\$6,087,377)	\$30,769,500	
					33,868,569	(\$4,174,390)					
FEB 06	Actual	\$0.99706	\$1.14135	(\$0.144295)	9,945,301	(\$1,433,053)					
FEB 06	Actual	\$0.99706	\$1.07101	(\$0.073955)	20,697,878	(\$1,530,703)	(\$1,376,136)	\$320,474	(\$4,021,418)	\$26,748,082	
					30,643,179	(\$2,965,757)					
MAR 06	Actual	\$0.69986	\$1.07101	(\$0.371145)	26,611,245	(\$9,876,633)	\$9,053	\$0	(\$9,867,580)	\$16,880,502	
APR 06	Actual	\$0.47478	\$1.07101	(\$0.596233)	16,169,548	(\$9,640,818)	\$958,164	\$0	(\$8,682,655)	\$8,197,847	
MAY 06	Projected	\$0.89585	\$1.07101	(\$0.175160)	10,064,000	(\$1,762,810)	\$1,206,955	\$0	(\$555,855)	\$7,641,992	
JUN 06	Projected	\$0.93965	\$1.07101	(\$0.131360)	7,791,000	(\$1,023,426)	\$1,533,767	\$0	\$510,351	\$8,152,323	
JUL 06	Projected	\$0.98414	\$1.07101	(\$0.086870)	7,145,000	(\$620,686)	\$1,633,880	\$0	\$1,013,194	\$9,165,517	
AUG 06	Projected	\$0.81425	\$1.07101	(\$0.256760)	7,118,000	(\$1,827,618)	\$1,592,952	\$0	(\$234,666)	\$8,930,851	
SEP 06	Projected	\$1.01697	\$1.07101	(\$0.054040)	7,096,000	(\$383,468)	\$1,597,605	\$0	\$1,214,137	\$10,144,989	
OCT 06	Projected	\$1.06810	\$1.07101	(\$0.002910)	8,584,000	(\$24,979)	\$1,369,498	\$0	\$1,334,519	\$11,479,507	